

EDUCATION FUND

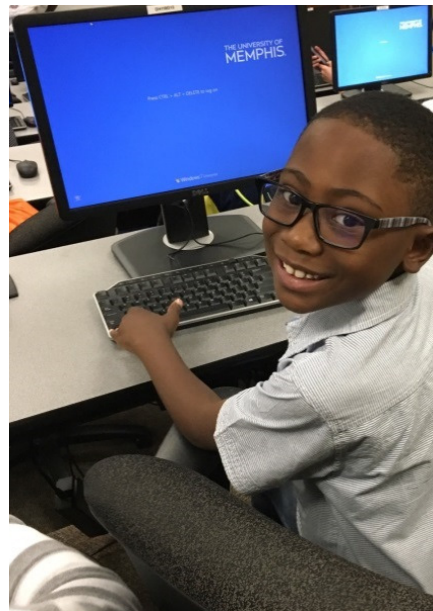


FY17 ADOPTED BUDGET

The **EDUCATION FUND** accounts for taxes collected and allocated for all public school operations within Shelby County. Education is clearly the number one priority for the County and its primary expenditure challenge. The current budget reflects the impact of significant changes to the structure and funding for education within Shelby County that have occurred over the past several years. The County remains committed to providing excellent educational opportunities for every child.

Background of Structural Changes to County Schools

As a result of the Memphis City School Board's decision to surrender its charter in 2011, the Memphis City School (MCS) system merged with the Shelby County School (SCS) system effective July 1, 2013. On July 16, 2013, the six municipalities surrounding the City of Memphis within Shelby County voted to create independent school districts. Those districts began operations on July 1, 2014. The SCS consolidated district existed only for Fiscal 2014 and received 100% of all school funding from the County. Beginning with FY15, county education funds are allocated to all seven districts, as determined by the State of Tennessee attendance ratios.



Achievement School District (ASD) and Charter Schools

ASD and charter schools continue to shape the funding provided to Shelby County Schools. The **Achievement School District (ASD)** is a State operated school district created to transform the bottom 5% of schools with continually low performance into the top 25% of schools within five years. **Charter Schools** are public schools operated by independent, non-profit governing bodies. Tennessee state laws¹ require that the per pupil funding amount follows the student as the student transfers to other districts or public charter schools. In addition, state law² has loosened restrictions related to family income and caps on the number of charter schools permitted in a district, leading to increased enrollment in charter schools over the past 10 years. As a result, Shelby County Schools has experienced a declining enrollment trend as the ASD and charter school enrollments have increased. Effectively, funding provided to SCS is less than prior years as funding is diverted to ASD and charters.



Soulsville Charter School

Annual Budget Development and Approval

The County has taxing authority for education funding and responsibility for approving the total amount of County funds provided for all public schools within Shelby County. The total funding level for education is included in the County's annual adopted operating budget. The School Board for each school district determines how the funds will be used to best accomplish their mission of educating students.

¹ T.C.A. 49-13-112 and T.C.A. 49-1-614

² T.C.A. 49-13-113

The annual budget for the Shelby County School system is developed, reviewed and approved by the Shelby County Schools Board of Education, and then submitted to the Shelby County Commission for funding review and approval. The Shelby County government does not review or approve the individual budgets for the six municipal school districts; the governing body of each municipality provides budget reviews and approval for that school district.

Funding Sources for Education

State Funding

The State of Tennessee contributes the majority of funding for the Shelby County Schools and municipal district budgets through the Basic Education Program (BEP). BEP is a Tennessee state funding formula used to calculate and distribute funding to the local education agency (LEA) for each school district on a per pupil amount based on prior year enrollment. Tennessee law [T.C.A. 49-13-112 and T.C.A. 49-1-614] requires LEAs to allocate a per pupil amount of all local, state, and federal funding received to charter schools and the Achievement School District (ASD), respectively. The distribution of state BEP funds to charter schools passes through SCS, except for their capital outlay. ASD receives BEP directly from the State.

Local Funding

The amount appropriated in the Education Fund is the total amount that will be paid to all school systems within Shelby County for operations during the fiscal year. Approved FY17 funding of \$419,471,000 represents about 34% of total countywide expenditures. This is an increase of \$28,183,000 (7.2%) over the prior year funding level.

Education currently receives almost 63% of all current and delinquent **Property Taxes** collected by Shelby County, based on FY17 allocations of the total tax rate of \$4.37:

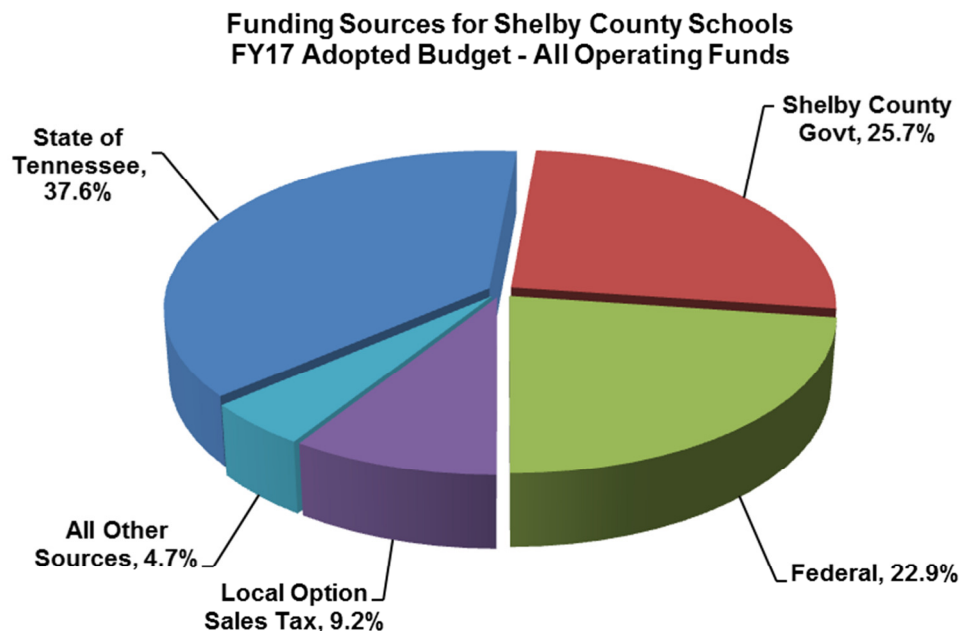
Property Taxes Allocated to Schools

	<u>Tax Rate</u>	<u>% of Total</u>
School Operations	\$2.14	49.0%
School Debt	0.60	13.8%
Total School Funding	<u>\$2.74</u>	<u>62.8%</u>

In addition to property taxes, the schools receive the following Shelby County tax revenues as a funding source:

- **Wheel Tax** - 100% of the Wheel Tax has been designated for school operating costs for FY17. This is a change from prior years when up to 50% was designated for operations with the remainder used for repayment of school debt.
- **In Lieu of Taxes** - collected from MLG&W and other property tax exempt entities; allocated on same basis as property taxes.
- **Marriage License Privilege Tax** –fee collected for issuance of marriage licenses; 100% is allocated to education.
- **County Local Option Sales Tax** - the first one-half of the 2.25% rate collected is designated for Education, as required by State law. This revenue is received by the Trustee and paid directly to the schools; it is not reflected in the Education Fund budget.

The graph below shows state and other funding sources for SCS:



Weighted Full-time Equivalency Average Daily Attendance (WFTEADA) Allocation

Weighted full-time equivalency average daily attendance or “WFTEADA”, serves as the basis for allocation of education funds within the county. This is a calculation of the average of the highest two months of the first three months of attendance for grades K-12, multiplied times a unique weight for each grade level as provided by the State Department of Education.

Prior to the merger effective in FY14, the total amount budgeted for education by Shelby County was distributed only between the City and County school systems based upon the weighted ADA ratio. Beginning with FY15, county education funds are now distributed to seven independent school districts based on weighted attendance. These ratios are reviewed annually each spring and certified by the Tennessee State Department of Education. The budgeted allocation to each school system is based on the rate in effect at the time of proposed budget development. When the actual weighted ADA ratios are determined near the end of the school year, actual payments are adjusted to July 1 of the current year based on that revised rate.

Historical weighted ADA allocation data for the past four years is provided in the following table, reflecting the structural changes since 2014:

Weighted Average Daily Attendance Allocations

Fiscal Year	ADA Attendance	Memphis Schools	County Schools	Municipal Schools	Total
2016	2015	0.0%	78.62%	21.38%	100.00%
2015	2014	0.0%	79.25%	20.75%	100.00%
2014	2013	0.0%	100.00%	N/A	100.00%
2013	2012	68.00%	32.00%	N/A	100.00%

Since FY15, weighted ADA distributions have been calculated for the seven independent school districts on the basis of attendance. Distributions since FY15 are shown below:

Weighted ADA Allocations to School Districts within Shelby County⁽¹⁾

District:	FY15 Actual		FY16 Actual		FY17 Budget⁽²⁾	
	Amount	ADA %	Amount	ADA %	Amount	ADA %
Shelby	303,597,240	79.25%	307,630,626	78.62%	329,788,100	78.62%
Arlington	12,910,066	3.37%	13,812,466	3.53%	14,807,326	3.53%
Bartlett	21,567,854	5.62%	22,890,348	5.85%	24,539,054	5.85%
Collierville	20,456,899	5.34%	21,559,969	5.51%	23,112,852	5.51%
Germantown	15,285,211	4.00%	15,964,550	4.08%	17,114,417	4.08%
Lakeland	2,145,293	0.56%	2,347,728	0.60%	2,516,826	0.60%
Millington	7,125,437	1.86%	7,082,313	1.81%	7,592,425	1.81%
TOTAL	383,088,000	100.00%	391,288,000	100.00%	419,471,000	100.00%

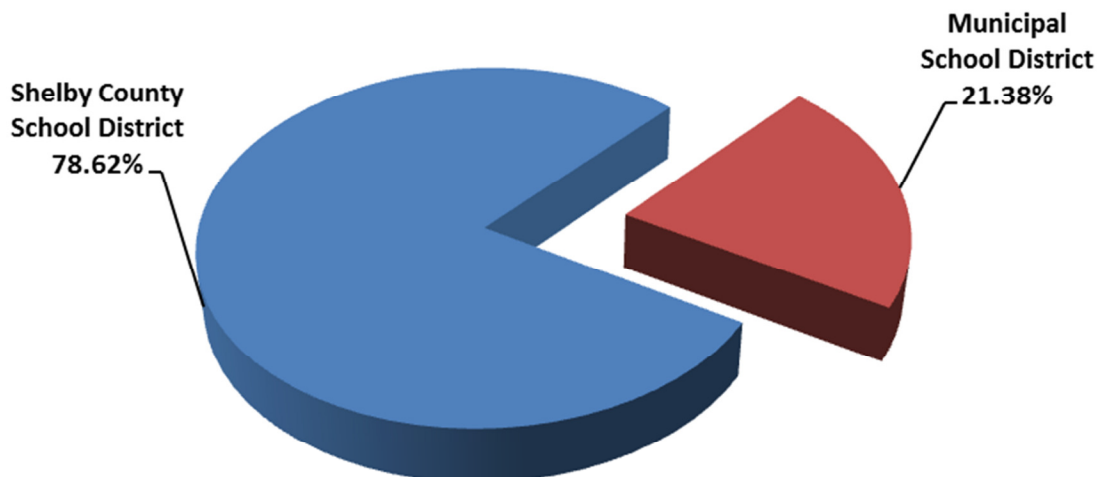
Total Allocations to SCS and Municipal Schools

Shelby	303,597,240	79.25%	307,630,626	78.62%	329,788,100	78.62%
Municipal	79,490,760	20.75%	83,657,374	21.38%	89,682,900	21.38%
TOTAL	383,088,000	100.00%	391,288,000	100.00%	419,471,000	100.00%

(1) Weighted full-time equivalency of average daily attendance (WFTEADA) as certified by State

(2) FY16 Final WFTEADA is the basis for the FY17 budget estimates. Actual FY17 payments will be based on ADA rates as certified by the State in the spring of 2017.

WFTEADA Allocation Shelby County Schools vs. Municipal Schools



Maintenance of Effort

As specified by Tennessee Code Annotated (TCA) Section 49-3-314, the County is required to maintain a level of funding to schools that is at least equal to the amount provided in the prior year – on either a total budget or per pupil basis. A period of three years is allowed for a post-merger funding level re-set of this “Maintenance of Effort” (MOE) requirement. The baseline year for MOE funding is FY2015; therefore, FY2017 funding establishes the MOE standard for future years.

County Funding for Education FY2005 - 2017

Fiscal Years	Amount	Increase from Prior	%	Other Funding
FY2005	\$325,859,655			
FY2006 - FY2007	\$360,019,604	\$ 34,159,949	10.5%	
FY2008 - FY2013	\$361,288,000	\$ 1,268,396	0.4%	
FY2014	\$381,288,000	\$ 20,000,000	5.5%	\$ 3,476,432 ¹
FY2015	\$381,288,000	\$ -	0.0%	\$ 1,800,000 ²
FY2016	\$391,288,000	\$ 10,000,000	2.6%	
FY2017	\$419,471,000	\$ 28,183,000	7.2%	

¹ Non-recurring appropriation for "Life Safety" capital expenditures from MLG&W settlement funds. ADA distribution not applicable for FY14 (single school district).

² Non-recurring appropriation for a Facilities Study from General Fund Balance. ADA distribution applied for all seven districts.



Shelby County Funding for Education
ADA Per Pupil Basis 2013-2017

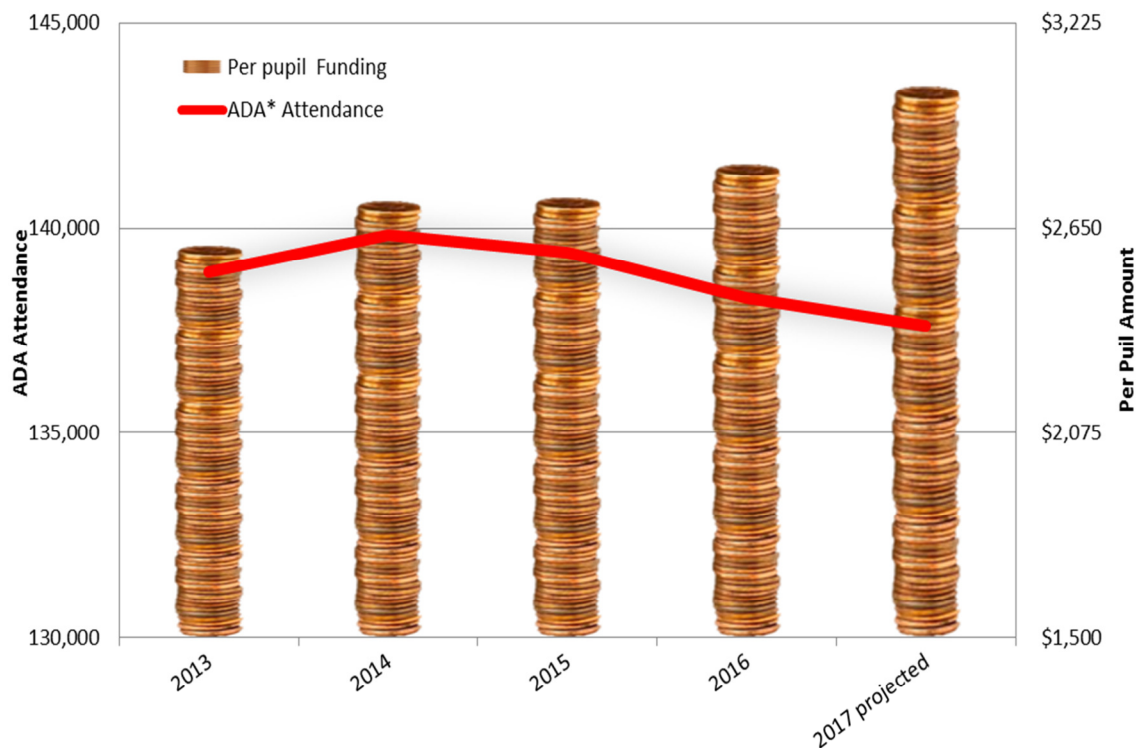
Fiscal Year	ADA* Attendance	% change from prior	Shelby County Funding	Per pupil Funding	% change from prior
2013	138,932	-1.2%	\$ 361,288,000	\$ 2,600	1.2%
¹ 2014	139,834	0.6%	\$ 381,288,000	\$ 2,727	4.9%
² 2015	139,404	-0.3%	\$ 381,288,801	\$ 2,735	0.3%
2016	138,302	-0.8%	\$ 391,288,000	\$ 2,829	3.4%
³ 2017 projected	137,614	<u>-0.5%</u>	\$ 419,471,000	\$ 3,048	<u>7.7%</u>
Avg % change over 5 yrs		-0.9%			17.2%

¹ Excludes one time funding of \$3,476,432 appropriated for life safety equipment

² Excludes non-recurring appropriation for a Facilities Study from General Fund Balance.

³ Projected ADA based on average decline of .5% for past two years

County Funding on Per Pupil Basis



Attendance declined by -0.9% per pupil while County funding increased by 17.2% per pupil

*ADA is unweighted Average Daily Attendance; includes ASD attendance beginning 2014

Capital Improvement (CIP) Funding

Funding for Capital Improvement Projects was deferred during the transitional years of school consolidation followed by the “de-merger” of the County into seven independent districts. A request by the consolidated Shelby County School District (SCS) for capital improvements was appropriated by the County Commission in FY14 in the amount of \$52,161,500 that included projects for schools that would later become part of the municipal districts. CIP funds were not appropriated for FY15, pending the results of a facilities assessment of all schools in the SCS district with a long term plan for repairs and potential school closures as requested by the Shelby County Commission. Upon the completion of the facilities assessment in FY16, the Shelby County Commission appropriated additional CIP funding in the total amount of \$33,013,635. In FY17, Shelby County School District did not request capital improvement funding.

Shelby County generally issues debt for capital improvements for schools. The majority of the County's current long term debt obligations are related to school construction required to accommodate growth in eastern Shelby County during the 1990s. For FY17 the County expects to spend about \$116 million for debt service related to schools – an amount that represents 13.8% of the total property tax rate.

Funds for CIP expenditures are allocated to the school districts according to prior year ADA ratios. Those amounts are distributed directly to the municipal school districts without Shelby County Government project approval; the governing body of each municipality provides CIP project approval for that school district. SCS CIP funds are distributed on a reimbursement basis for approved projects.



The original Westhaven Elementary School was demolished to prepare for the construction of a new \$13 million dollar facility opened in the fall 2016 school year.

Account Detail

All Funds

Education

Acct	Description	FY 13 Actual	FY 14 Actual	FY 15 Actual	FY 16 Amended Budget	FY 17 Adopted Budget
4001 - Property Taxes-Current		(330,287,991)	(353,566,680)	(358,788,390)	(357,380,000)	(364,228,000)
4002 - Property Taxes-Delinquent		(11,045,412)	(10,288,629)	(13,873,640)	(12,732,000)	(11,753,000)
4016 - Uptown Redevelopment Incremental Taxes		(83,290)	(71,468)	(94,547)	(77,000)	(100,000)
40 - Property Taxes		(341,416,693)	(363,926,777)	(372,756,577)	(370,189,000)	(376,081,000)
4105 - MLG&W In Lieu Of Taxes		(2,511,104)	(6,187,158)	(2,911,771)	(3,085,000)	(3,673,000)
4108 - Exempt Property In Lieu Of Taxes		(3,337,350)	(3,515,262)	(4,396,777)	(4,652,000)	(4,162,000)
4130 - Marriage License Privilege Tax		0	(51,897)	(51,305)	(55,000)	(55,000)
4160 - Wheel Tax		(14,022,852)	(11,083,339)	(1,171,569)	(13,307,000)	(33,000,000)
41 - Other Local Taxes		(19,871,307)	(20,837,655)	(8,531,423)	(21,099,000)	(40,890,000)
Revenue		(361,288,000)	(384,764,432)	(381,288,000)	(391,288,000)	(416,971,000)
8943 - Arlington Municipal Schools		0	0	12,910,066	13,812,467	14,807,326
8944 - Bartlett Municipal Schools		0	0	21,567,854	22,890,348	24,539,054
8945 - Collierville Municipal Schools		0	0	20,456,899	21,559,969	23,112,852
8946 - Germantown Municipal Schools		0	0	15,285,211	15,964,550	17,114,417
8947 - Lakeland Municipal Schools		0	0	2,145,293	2,347,728	2,516,826
8948 - Millington Municipal Schools		0	0	7,125,437	7,082,313	7,592,425
8954 - Memphis City Schools		249,122,187	0	0	0	0
8955 - Shelby County Schools		112,165,813	384,764,432	303,597,240	307,630,625	329,788,100
89 - Affiliated Organizations		361,288,000	384,764,432	383,088,000	391,288,000	419,471,000
Affiliated Organizations		361,288,000	384,764,432	383,088,000	391,288,000	419,471,000
Expenditures		361,288,000	384,764,432	383,088,000	391,288,000	419,471,000
9601 - Transfer From General Fund		0	0	(1,800,000)	0	(2,500,000)
96 - Operating Transfers In		0	0	(1,800,000)	0	(2,500,000)
Operating Transfers In		0	0	(1,800,000)	0	(2,500,000)
Net Transfers		0	0	(1,800,000)	0	(2,500,000)
Education Total		0	0	0	0	0

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